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VIA EXPRESS MAIL

Honorable Kristi Izzo
Secretary
State of New Jersey
Board of Public Utilities
Two Gateway Center
Newark, New Jersey 07102

Re: In the Matter of Appropriate Utility Funding Allocation
for the 2004 Clean Energy Program
Docket No. EX03110946

In the Matter of Comprehensive Energy Efficiency and
Renewable Energy Resource Analysis
Docket No. EX04040276

Dear Secretary Izzo:

In accordance with the New Jersey Board of Public Utilities' ("Board") Order dated May 7, 2004 (at 6) in the above-referenced proceedings, Rockland Electric Company ("RECO") hereby submits the following comments regarding funding levels and allocation of Clean Energy Program costs among utilities for the Years 2005 – 2008.

Funding Levels for the Period 2005 – 2008

The statewide funding level for Clean Energy Programs should be consistent with the Electric Discount and Energy Competition Act, N.J.S.A. 48:3-60 (3) et seq. ("EDECA") which states:

"In each of the following fifth through eighth years, the Statewide funding for such programs shall be no less than 50 percent of the total Statewide amount being collected in public service electric and gas utility rates for demand side management programs on the effective date of this act, except that as additional funds are made available as a

result of the expiration of past standard offer or similar commitments, the minimum amount of funding for such programs shall increase by an additional amount equal to 50 percent of the additional funds made available, until the minimum amount of funding dedicated to such programs reaches \$140,000,000 total.”

The amount of such funding for Clean Energy Programs would be equal to the current statewide funding level of \$124.126 MM and increase each year from 2005 through 2008 at a rate equal to 50 percent of the additional funds made available as a result of the expiration of past standard offer and similar commitments to a maximum funding level of \$140,000,000 by 2008.

It should be noted that the above methodology is used to determine the appropriate funding levels for the Clean Energy Programs and not as a mechanism for funding standard offer and similar legacy programs. As noted in RECO’s previous comments submitted by letter dated June 14, 2004, EDECA (i.e., NJSA 48:3-61) makes no provision for such wholesale reallocation of the costs of legacy programs among the State’s electric and gas customers.

Allocation of Clean Energy Program Costs between Utilities for 2005 – 2008

Consistent with RECO’s previous statements on this issue, each utility’s funding level for Clean Energy Programs should be related directly to the level of Clean Energy Program spending in that utility’s service area. To date, in implementing the Clean Energy Programs, the Board has been mindful of the need to balance the competing policies in EDECA of mitigating rate impacts and the need to fund energy efficiency and renewable energy programs. In determining the appropriate funding level for individual utilities in its Order issued March 9, 2001 in BPU Docket Nos. EX99050347, EO99050348, EO99050349, EO99050350, EO99050351, GO990350352, GO99050353, and GO99050354 (“March 9, 2001 Order”) (at 63-66), the Board applied those policies in light of the record developed on individual utilities. Accordingly, the Board rejected the Ratepayer Advocate-sponsored Stipulation that would have established uniform per unit funding rates for electric and gas utilities, respectively. Instead, the Board in part adopted the individual dollar funding amounts for each utility (other than RECO), voluntarily set forth in a Stipulation filed by the other New Jersey gas and electric utilities (“Utilities”) and the Natural Resources Defense Council (“NRDC”) on the basis that “these are proportions that each utility finds acceptable under its own unique situation.” Thus, each utility’s funding level bears a relation to the costs of programs being directed to customers in its territory.

RECO submits that the balancing embodied in the March 9, 2001 Order continues to be appropriate today. This is the case because RECO’s customers currently face not only Societal Benefits Charge (“SBC”) increases but also the costs of important infrastructure investment and reliability-related programs. The Board, therefore, needs to

review the same types of evidence and factors prior to rendering a determination as has been considered in past determinations. Certainly there should be no presumption that imposition of a uniform rate will somehow generate “rate equity.” In fact, the presumption should be that current allocations are fair and reasonable, absent any relevant change in circumstances given: the Board’s prior finding that the utilities’ initial SBC rates reflected unique recovery levels relating to the Clean Energy Programs; the utilities’ voluntary acceptance of individual dollar allocations against that backdrop; and the utilities subsequent adjustments in their own SBCs to reflect current allocation levels.

The imposition of a “uniform” CEP funding rate is not required. RECO remains greatly concerned that the impact of such a funding scheme would fall disproportionately on RECO’s customers.

Please contact me if you have any questions regarding RECO’s comments or if you require any additional information.

Very truly yours,

John L. Carley
Assistant General Counsel